

Options for reforming the SNF PPS

ISSUE: MedPAC and others have raised two fundamental problems with the prospective payment system (PPS) Medicare uses to pay skilled nursing facilities (SNF). First, the PPS does not adequately distribute payments for nontherapy ancillary (NTA) services (such as drugs, IV medications, and respiratory therapy). Second, because providers are paid more if they furnish more therapy services, the system does not include incentives for providers to furnish only the amount of therapy that beneficiaries need.

In its June 2007 report to Congress, MedPAC described research the Urban Institute had conducted to improve the accuracy of SNF payments. This work explored ways to establish and separately pay for NTA services and base payments for therapy services on predicted care needs, not service provision. We concluded that the current PPS could be designed to better target payments for NTA services and improve provider incentives by paying for therapy based on predicted rather than actual levels of service delivered.

Since the spring, researchers at the Urban Institute have been refining the designs of the NTA and therapy components. At the meeting, staff will present the results of this recent work.

KEY POINTS: Staff will present information on the alternatives explored that include paying more accurately for nontherapy ancillary services and changing the current therapy component.

ACTION: We would like the Commission to discuss the addition of a new component to target payments for NTA services and alternative designs of the current therapy component.

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